

Presentation to the Public Service Commission of South Carolina Diversity & Inclusion Discussion

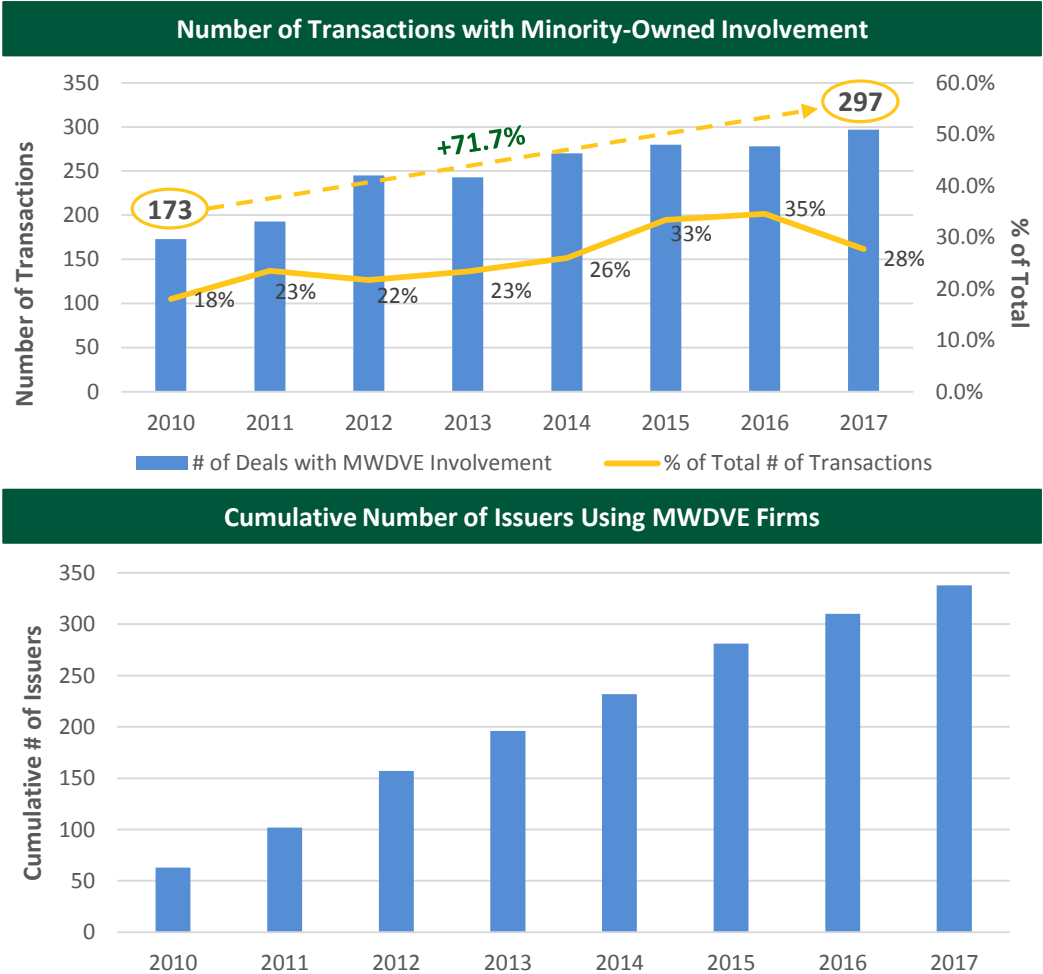


Date: December 18, 2018

Growth in Utilization of Minority-owned Firms in the U.S. Corporate Capital Markets

Since 2010, the number of deals with MWDVE firms has grown by 72%, and the rate of utilization has grown by over 55%

Since 2010, the cumulative number of issuers using MWDVEs has steadily increased



South Carolina Utility Syndicate Structure: Recent Example

June 8, 2016

\$500,000,000



South Carolina Electric & Gas Company

Joint Bookrunners

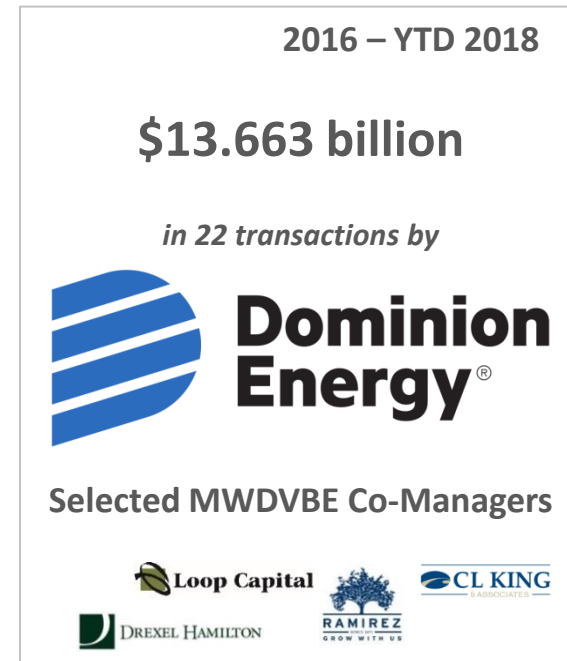
BB&T Capital Markets
JP Morgan
MUFG Securities
TD Securities
UBS Securities
Wells Fargo

Co-Manager Syndicate

U.S. Bancorp ***Drexel Hamilton*** *FTN Financial*

MWDVE Involvement in Dominion Transactions

Since 2016, Dominion Energy and its subsidiaries have utilized diverse managers on **27%** of transactions for a total par value raised of **\$3.9 billion**



	2016		2017		YTD 2018		2016 - YTD 2018	
	#	\$MM	#	\$MM	#	\$MM	#	\$MM
Blue Racer Midstream LLC	0	0	0	0	1	300	1	300
Dominion Energy Inc.	0	0	4	1,300	1	300	5	1,600
Dominion Midstream Partners LP	2	613	0	0	0	0	2	613
Dominion Resources Inc.	7	4,400	2	1,200	0	0	9	5,600
Hydro Plant, Bath County, VA	0	0	1	600	0	0	1	600
Questar Gas Co.	0	0	1	250	0	0	1	250
Questar Pipeline Co.	0	0	1	250	0	0	1	250
Virginia Electric Power Co.	2	1,650	2	1,500	2	1,300	2	4,450
Total	11	6,663	11	5,100	4	1,900	22	13,663



MWDVE Leadership Transactions in California

Also, since 2010 California's major utilities have led the nation in utilizing diverse business enterprises as lead managers.











	2010		2011		2012		2013		2014		2015		2016		2017		YTD 2018		2010 - YTD 2018	
	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM	#	\$MM
San Diego Gas & Electric	0	0	2	650	1	250	1	450	0	0	0	0	1	500	1	400	1	400	7	2,650
Southern California Gas	1	300	0	0	1	350	0	0	2	750	1	600	1	500	0	0	2	950	8	3,450
Southern California Edison	0	0	2	750	1	400	2	1,000	1	400	0	0	0	0	0	0	0	0	6	2,550
Pacific Gas & Electric	0	0	1	250	1	400	1	375	2	950	0	0	1	600	0	0	0	0	6	2,575
Total	1	300	5	1,650	4	1,400	4	1,825	5	2,100	1	600	3	1,600	1	400	3	1,350	27	11,225

Select MWDVE Leadership Transactions with California Utilities

<p>September 19, 2018</p> <p>\$550,000,000</p>  <p>Southern California Gas</p> <p>Deutsche Bank Goldman Sachs MUFG Securities UBS Securities Williams Capital</p> <p>Co-Manager Syndicate Academy Securities Telsey Advisory</p>	<p>May 14, 2018</p> <p>\$400,000,000</p>  <p>San Diego Gas & Electric</p> <p>Credit Agricole Credit Suisse JP Morgam Wells Fargo Samuel A. Ramirez</p> <p>Co-Manager Syndicate Blaylock Van, LLC Guzman & Co</p>	<p>May 10, 2018</p> <p>\$400,000,000</p>  <p>Southern California Gas</p> <p>BNP Paribas SMBC Nikko Mizuho Securities US Bancorp Investments Loop Capital Markets</p> <p>Co-Manager Syndicate Great Pacific R. Seelaus & Co</p>	<p>May 31, 2016</p> <p>\$500,000,000</p>  <p>Southern California Gas</p> <p>BNP Paribas Credit Agricole UBS Securities Wells Fargo Samuel A. Ramirez</p> <p>Co-Manager Syndicate MFR Securities Siebert Capital Markets</p>
<p>May 16, 2016</p> <p>\$500,000,000</p>  <p>San Diego Gas & Electric</p> <p>Barclays Capital Citigroup Global Markets MUFG Securities RBC Capital Markets Loop Capital Markets</p> <p>Co-Manager Syndicate CAVU Securities Guzman & Co</p>	<p>February 23, 2016</p> <p>\$600,000,000</p>  <p>Pacific Gas & Electric</p> <p>Barclays Capital BNP Paribas MUFG Securities Morgan Stanley Williams Capital</p> <p>Co-Manager Syndicate CL King Great Pacific</p>	<p>November 3, 2014</p> <p>\$500,000,000</p>  <p>Pacific Gas & Electric Corp</p> <p>Citigroup Global Markets JP Morgan Mizuho Securities Loop Capital Markets</p> <p>Co-Manager Syndicate Academy Securities Blaylock Beal Van</p>	<p>September 8, 2014</p> <p>\$500,000,000</p>  <p>Southern California Gas</p> <p>BNP Paribas Merrill Lynch UBS Securities Samuel A. Ramirez</p> <p>Co-Manager Syndicate Apto Partners MFR Securities</p>


Select MWDVE Leadership Transactions with California Utilities

<p>March 10, 2014</p> <p>\$250,000,000</p>  <p>Southern California Gas</p> <p>Citigroup Global Markets Credit Agricole Morgan Stanley Loop Capital Markets</p> <p>Co-Manager Syndicate Blaylock Robert Van Great Pacific</p>	<p>February 18, 2014</p> <p>\$450,000,000</p>  <p>Pacific Gas & Electric</p> <p>JP Morgan Morgan Stanley RBS Securities Samuel A. Ramirez</p> <p>Co-Manager Syndicate Blaylock Robert Van Lebenthal & Co MFR Securities Loop Capital Markets Mischler Financial</p>	<p>September 25, 2013</p> <p>\$600,000,000</p>  <p>Southern California Edison</p> <p>Bank of New York Mellon Barclays Capital BNP Paribas JP Morgan MUFG Securities RBS Securities Wells Fargo Loop Capital</p> <p>Co-Manager Syndicate Blaylock Robert Van CL King Guzman & Co Lebenthal MFR Securities Mischler Samuel A. Ramirez Williams Capital</p>	<p>September 18, 2012</p> <p>\$350,000,000</p>  <p>Southern California Gas</p> <p>BNP Paribas Morgan Stanley US Bancorp Piper Jaffray Williams Capital Group</p> <p>Co-Manager Syndicate Lebenthal & Co Loop Capital Markets MFR Securities</p>
<p>April 11, 2012</p> <p>\$400,000,000</p>  <p>Pacific Gas & Electric Corp</p> <p>Goldman Sachs JP Morgan Securities Wells Fargo Loop Capital Markets</p> <p>Co-Manager Syndicate MFR Securities Mischler Financial</p>	<p>March 19, 2012</p> <p>\$250,000,000</p>  <p>San Diego Gas & Electric</p> <p>Credit Agricole Securities Goldman Sachs MUFG Securities Samuel A. Ramirez</p> <p>Co-Manager Syndicate Blaylock Robert Van Mischler</p>	<p>March 8, 2012</p> <p>\$400,000,000</p>  <p>Southern California Edison</p> <p>Citigroup Global Markets MUFG Securities RBS Securities Loop Capital Markets</p> <p>Co-Manager Syndicate Apto Partners CastleOak Securities</p>	<p>November 17, 2011</p> <p>\$250,000,000</p>  <p>Southern California Edison</p> <p>Deutsche Bank Securities UBS Securities Wells Fargo Securities Samuel A. Ramirez & Co</p> <p>Co-Manager Syndicate Lebenthal & Co MFR Securities</p>

Duke Energy Florida Securitization Transaction

June 15, 2016

\$ 1,294,200,000

 **DUKE ENERGY**

Duke Energy Florida Project Finance, LLC
5-Part Series A Senior Secured Rate
Reduction Bond

Joint Bookrunners

*RBC Capital
Guggenheim*

Senior Co-Managers

<i>Drexel Hamilton</i>	<i>Ramirez & Co</i>	<i>Jefferies</i>
<i>SMBC Nikko</i>	<i>Mitsubishi UFJ</i>	<i>Williams Capital</i>

Diversity & Inclusion (D&I) Transactions

A comprehensive approach utilizing diverse firms as lead managers as well as legal counsel, modeled off the Toyota Motor Credit Corp. D&I Funding Program.

June 20, 2016

\$250,000,000

 **DUKE ENERGY®**

Duke Energy Ohio

First Mortgage Bonds
3.700% due 2046


Joint Bookrunners

Citigroup
Lebenthal
Loop Capital
Mischler Financial
Ramirez & Co.
Williams Capital

Company Counsel
Hunton & Williams

April 5, 2016

\$350,000,000

 **TOYOTA MOTOR CREDIT CORPORATION**

Toyota Motor Credit

2-Year FRN due 2018

Joint Bookrunners

Citigroup
CastleOak Securities
Lebenthal & Co.
Mischler Financial
Ramirez & Co.
Williams Capital

Company Counsels
Davis Polk & Wardwell LLP *Love & Long LLP**
*diversity owned firm

The Case for MWDVE Lead-Managed Transactions

- *Issuers expect and experience no compromise in execution efficiency or results (e.g. market advice, distribution, pricing, trading support);*
- *Issuers receive the added benefit of order book diversification by accessing the unique investor networks of the MWDVBE lead- and co-managers;*
- *Transactions serve as high profile and effective diversity initiatives;*
- *Multiple approaches at disposal:*
 - ✓ *Elevate MWDVE firm(s) alongside larger banks (California utilities)*
 - ✓ *Mandate MWDVE firm(s) to lead a tranche of a multi-part transaction (GECC)*
 - ✓ *Diversity & Inclusion (D&I) featuring MWDVE firm(s) (Toyota)*

Alternative 1

Lead Manager – Rotating One Diversity Firm as Lead Manager

Regardless of the alternative chosen for a lead manager role, the major responsibilities of a diversity firm should be in line with those expected of a bulge-bracket firm. That is, a qualified diversity firm should possess the same skill set as a bulge-bracket deal manager, and further, should be expected to be able to deliver all deal execution services provided by a larger firm.

- **Under Alternative 1, a diversity firm fully participates in the rotation of pre-transaction capital markets intelligence calls, full and equal responsibilities in the book building process, issuer updates, transaction stabilization activities, and post transaction follow-up and reporting requirements.**
 - On the following page, we provide an example of a successful transaction completed under Alternative 1.

Suggested Structure – Alternative 1


- **One diversity firm accompanies several bulge-bracket firms as active bookrunner**
 - Diversity firm provides same pre-transaction capital market intelligence and takes turn in normal rotation of market update calls
- **Each member of syndicate has a specific mandate from the issuer to bring orders to the transaction**
- **Bond allocations are spread equally across**

Alternative 1 – Case Study (2018)

Southern California Gas 30 Year 4.300% First Mortgage Bonds due January 15, 2049

September 19, 2018

\$550,000,000



Southern California Gas

First Mortgage Bonds

4.300% due 2049

Joint Bookrunners

Deutsche Bank

Goldman Sachs & Co

MUFG Securities

Williams Capital

Summary Timeline and Statistics - September 19, 2018	
Deal Announced to Public:	12:28 pm EST
Order Book Declared Subject:	4:16 pm EST
Deal Officially Launched:	5:15 pm EST
Deal Priced:	7:29 pm EST
Credit Spreads	
30-Year	
Unofficial Price Whisper:	T + 120 area
Official Price Guidance:	T + 110 area (+/- 3)
Launch & Final Pricing:	T + 107 bps
Order Book at Pricing:	\$1.350 billion
Final Allocation:	\$550.0 million

Relative Value

Announce Date	Issuer Name	Moody Rating	S&P Rating	Moody's Outlook	S&P Outlook	Security	Bid	Ask
09/24/18	Southern California Gas Co	Aa2	A+	Stable	Negative	SRE 4.3 01/15/49	102	98
05/17/18	San Diego Gas & Electric Co	Aa3 (from Aa2)	A (from A+)	Stable	Negative	SRE 4.15 05/15/48	113	108
05/15/18	Southern California Gas Co	Aa2	A+	Stable	Negative	SRE 4 ¼ 06/01/48	102	97
03/05/18	Southern California Edison Co	A1 (from Aa3)	A	Stable	Negative	EIX 4 ¾ 03/01/48	120	115

Alternative 1 – Case Study (2016)

San Diego Gas & Electric 10 Year 2.500% First Mortgage Bonds due May 15, 2026

May 16, 2016

\$500,000,000



San Diego Gas & Electric

First Mortgage Bonds

2.500% due 2026

Joint Bookrunners

Barclays

Citigroup

MUFG Securities

RBC Capital

Loop Capital Markets

Summary Timeline and Statistics - May 16, 2016

Deal Announced to Public: 8:15 am EST

Order Book Declared Subject: 12:15 pm EST

Deal Officially Launched: 12:26 pm EST

Deal Priced: 2:08 pm EST

Credit Spreads

10-Year

Unofficial Price Whisper: T + 95 area

Official Price Guidance: T + 80 area (+/- 2)

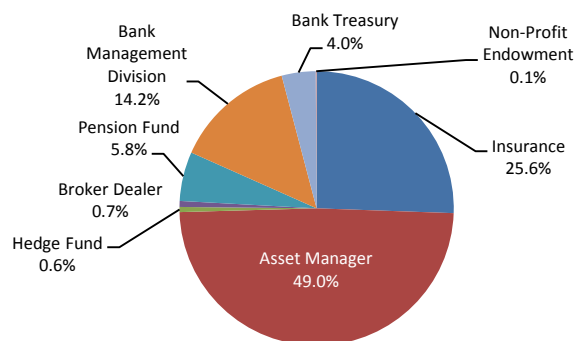
Launch & Final Pricing: T + 78 bps

Order Book at Pricing: \$1.442 billion, 100 accounts

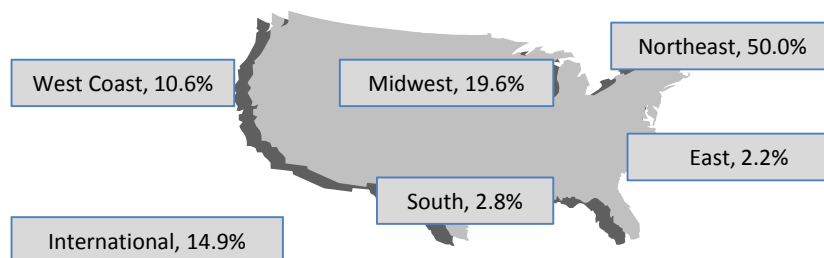
Final Allocation: \$500.0 million, 73 accounts

Analysis of Final Allocations

Type of Investors



Location of Investors



Alternative 2

Lead Manager – Diversity Firms and One Major Firm as Bookrunners

Regardless of the alternative chosen for a lead manager role, the major responsibilities of a diversity firm should be in line with those expected of a bulge-bracket firm. That is, a qualified diversity firm should possess the same skill set as a bulge-bracket deal manager, and further, should be expected to be able to deliver all deal execution services provided by a larger firm.

- **Under Alternative 2, all diversity firms fully participate in the rotation of pre-transaction capital markets intelligence calls, full and equal responsibilities in the book building process and updates, transaction stabilization activities, and post transaction follow-up and reporting requirements.**
 - On the following page, we provide an example of a successful transaction completed under Alternative 2.

Suggested Structure – Alternative 2

- **Multiple diversity firms work with one anchor bulge-bracket firm as joint bookrunners.**
 - Diversity firms provide same pre-transaction capital market intelligence and take turns in normal rotation of market update calls.
- **Bond allocations are spread equally across all bookrunners and firms are expected to bring orders to fill their allocations.**

Alternative 2 – Case Study

Duke Energy Ohio 30 Year FMB Diversity & Inclusion (D&I) Transaction

Duke Energy Ohio wanted to show its commitment to its supplier diversity initiative in a high profile way by utilizing a transaction with a syndicate structure modeled off the Toyota Motor Credit D&I funding program.

- Five MWDVBE firms and Citi were the six bookrunners on the transaction all having equal economics and responsibilities.
- Distribution responsibilities for the MWDVBE firms were twofold –bringing Tier 1 accounts and incremental investors into the deal.
- The five firms were selected by Duke as they look to broaden their banking relationships with firms that can provide differentiated value in transactions and/or capital markets and corporate finance analytical support.
- Following on from this transaction, Duke ran a comprehensive D&I RFP process, led by its supplier diversity and treasury areas, to put in place a group of firms that will, going forward, be added to their bank relationship group.

